

Self-Managed Super Funds (SMSF): How Do They Work?

Superannuation gives you the opportunity to plan ahead and make sure you are financially secure for the future. Whether you want to create a contingency plan for when you retire, or are simply looking to mitigate your tax burden, careful planning through one of these funds comes highly recommended.

In short, a [self-managed super \(SMSF\)](#) allows you to save for retirement. It is quite an advanced route to take, as you are responsible for the decisions on where the cash should be invested. When the fund is being established, you need to nominate members and trustees. A trust and trust deed is also required, along with a bank account for the fund. The fund also needs to be registered with the ATO, and a full investment strategy should be drawn up as soon as possible. You also need to consider when the SMSF would come to an end.



Once all of this documentation has been finalised, it's important to establish employer contributions, helping the fund to grow. Your investments made through the SMSF should be fully compliant with taxation rules, and you should expect the strategy for your investments to evolve over time. Remember: any documentation or other records regarding the SMSF should be kept for a decade for future reference, and in case any audit is conducted on the fund.

On an annual basis, you'll need an auditor to determine how much the assets in the fund are worth – and this should be detailed thoroughly in the fund's accounts and statements. Once the return is completed, you're expected to pay a levy on the SMSF, along with outstanding tax.

Once the fund comes to a close, you'll submit one last return, and will need an auditor to check thoroughly everything for the final time.

Thankfully, the onus doesn't have to be on you for this entire process. It is possible to enlist the services of trained professionals who assist with the management of SMSFs on a full-time basis. They will make sure you never fall foul of taxation office's rules with the fund. However despite professional advice, all of the responsibility for the fund still falls with you – the owner of the fund.

It's important to make sure that an SMSF is a financially feasible decision for you to make. If you have considerable assets, the yearly costs of running the fund can pale into comparison, making it a worthwhile decision for your future. However, it's important to be fully educated about the entire process.



Talking to a self-managed super (SMSF) professional now is the best way to start. They will point you in the right direction, and work hard to ensure that any decisions made are in your best financial interest.